



March 4, 2004

Ms. Jennifer J. Johnson
Secretary, Board of Governors
Federal Reserve System
20th Street and Constitution Avenue N.W
Washington, DC 20551

Dear Ms. Johnson:

Re: Regulation CC (Docket No. R-1176) Availability of Funds and Collection of Checks

Central Corporate Credit Union (CenCorp) has reviewed the Federal Reserve Board (Board) proposal to amend portions of Regulation CC. As background, CenCorp is a third party processor of share drafts (checks) for credit unions in Michigan, processing about 160 million items annually. CenCorp agrees with the majority of the changes set forth in the proposal.

We would like to comment on certain amendments as well as a related substitute check issue. Our comments are shown in the order that they appear in the proposal.

229.54 Expedited Recredit for Consumers -Banking Day vs. Business Day

In Regulation CC today, "business day" (defined as any day other than the weekend or legal holiday) is the term used by Regulation CC when referring to the time a bank must begin measuring the time period for actions. The Board proposed to replace business day with "banking day" (a business day that the bank is actually open to the public) when referring to the time limits for a bank to provide expedited recredit to consumers.

CenCorp believes consumers are more familiar with the meaning of business day as opposed to the more narrowly defined banking day. The proposal provides adequate timeframes for action whether either business or banking day is used. To be clear with consumers, CenCorp believes that the time for action should be based on business days.

229.57 Consumers awareness

The Board has requested comment on two alternatives for a bank to provide disclosure about substitute checks and expedited recredit rights to consumers *that do not receive* paid checks with their periodic account statements. The first alternative requires a bank to provide the disclosures at the time the consumer requests an image of the check. The second requires a bank to provide the disclosures at the time the bank delivers the image of the check to the consumer.

Between these two alternatives, CenCorp believes that it would be less confusing and more appropriate to provide the disclosures at the same time that the consumer is actually seeing this substitute check (i.e., at the time it is delivered to the consumer).

In another section of the proposal, the Board stated that the substitute check and expedited recredit rights could be disclosed to the consumers via a one-time notice. CenCorp believes that the disclosure in this manner would be the most effective way to inform consumers and would make either of the proposed alternatives above unnecessary.

Appendix C to Part 229 - Model Availability Policy Disclosures, Clauses, and Notices: Model Substitute Check Policy Disclosure and Notices

The proposed model disclosure explains what a substitute check is, when the consumer expedited recredit right applies, and what a consumer must do to exercise that right. The Board requests comment on whether the proposed model disclosure is clear, accurate, and concise. CenCorp believes that the proposed model is clear, accurate, and concise.

In Appendix C, the Board also published other model notices for banks to inform consumers about different aspects of their expedited recredit claim. The Board requested comments on whether providing model language presented is useful. CenCorp believes that the models are useful to banks and should be kept as part of Appendix C.

Appendix D to Part 229 - Indorsement, Reconverting Bank Identification, and Truncating Bank Identification Standards

The Board proposed to require that a subsequent collecting bank or returning bank indorsement be applied to the back of the check and to only include the following: (1) the bank's nine digit - routing number, and, if the returning bank is a reconverting bank, an asterisk at each end of the number to identify the bank as a reconverting bank (2) the indorsement date, and (3) an optional trace or sequence number. The Board requests comments on what benefit there would be in providing returning banks with the flexibility to indorse on the front of the checks. Endorsing the front of the check could potentially obscure information contained there. CenCorp believes that the returning bank should restrict indorsements to the back of the check.

The Board requests comments on what benefit there would be to allow additional information to be added on the subsequent collecting bank or returning bank indorsement. CenCorp believes that there is no significant benefit in allowing the subsequent collecting bank or returning bank to add additional information on their indorsement.

ZZ. 229.2 (zz) Substitute Check

The Board requests comment on whether an item that fails to meet any of the substitute check requirements should be treated as if it was a substitute check. In the normal processing of original checks today, banks typically correct MICR errors (encoding errors being a common type) as the checks are processed. CenCorp recommends that the substitute check should be handled using the same current industry practice. In this way, the "corrected" substitute check would be treated the same as a corrected original check is today.

Redeposit of Substitute Checks (not contained in the proposal)

Today, a common practice for redepositing a returned check to the bank of first deposit is to remove the return (zip) strip from the bottom of the check and redeposit it. A substitute check that is a return will not have a return strip (the return strip information will be incorporated into the substitute check document itself). Therefore the practice in place today will need to be modified for a substitute check. It is unclear on what will be an acceptable way to redeposit a “return” substitute check.

By their very nature, return checks pose a greater risk of loss than other checks. It is important that return substitute checks are processed consistently and on a timely basis. Without some guidelines in place, CenCorp believes that there will be some confusion between banks in the handling of redeposited substitute checks. This could lead to some losses. We request that the Board consider providing guidance to banks in an acceptable way(s) to redeposit substitute checks and promote the consistent handling of these items.

If you have any questions or need clarification on any of our comments, please contact me at (248) 304-3025.

Sincerely,

Brenda Washington
Vice President, Operations